

# Check Withholding to Avoid a Tax Surprise

Video: [Making Work Pay - Withholding Calculator](#)

Audio: [Making Work Pay - Withholding Calculator](#)

With 2009 nearly half over, the Internal Revenue Service reminds individual taxpayers there is no better time to check their 2009 federal income tax withholding levels to make sure they do not face any surprises when returns are due next spring.

The Making Work Pay Credit lowered tax withholding rates this year for 120 million American households. However, particular taxpayers who fall into any of the following groups should review their tax withholding rates to ensure enough tax is withheld: multiple job holders, families in which both spouses work, workers who can be claimed as dependents by other taxpayers and pensioners.

Failure to adjust your withholding could result in potentially smaller refunds or may cause you to owe tax rather than receive a refund next year. So far in 2009, the average refund amount is \$2,675 and 79 percent of all returns received a refund.

Because retirees typically have withholding from their pension payments, pension plan administrators or pension payors should be aware of the optional adjustment procedure for pension withholding announced in Notice 1036-P, Additional Withholding for Pensions for 2009.

Social security beneficiaries, supplemental security income recipients, disabled veterans and railroad retirees that receive this year's one-time \$250 economic recovery payment should be aware that the Making Work Pay credit will be reduced by the \$250 payment amount. They may also want to review their withholding.

The IRS withholding calculator on IRS.gov can help a taxpayer compute the proper tax withholding. The worksheets in Publication 919, How Do I Adjust My Withholding?, can also be used to do the calculation. If the result suggests an adjustment is necessary, the taxpayer should submit a new Form W-4, Withholding Allowance Certificate, to his or her employer or adjust the amount of quarterly tax paid.

In addition, the IRS reminds unemployed workers that the first \$2,400 of unemployment benefits they receive during 2009 are tax-free for federal income tax purposes. People who expect to receive more than that should consider having tax withheld from their benefit payments in excess of \$2,400. Use Form W-4V, Voluntary Withholding Request, or the equivalent form provided by the payer to request withholding to begin or end.

Taxpayers should visit IRS.gov for more information about how to adjust federal income tax withholding. The Web site also has details on various tax incentives in the American Recovery and Reinvestment Act as well as downloadable forms and publications. Free tax forms and publications are also available by calling 1-800-TAX-FORM (1-800-829-3676).

## Links:

- [The Making Work Pay Credit](#)
- [Notice 1036-P](#), Additional Withholding for Pensions for 2009
- [IRS withholding calculator](#)
- [Publication 919](#), How Do I Adjust My Withholding?
- [Related News Releases and legal guidance](#)
- [Publication 4766](#), Making Work Pay Credit and Form W-4 Withholding Certificate